

ORIGINAL

Decision No. 67669

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION OF

DEL ESTE WATER COMPANY, a
corporation,

For an order authorizing it to execute
and deliver a Fifth Supplemental
Indenture to its Mortgage of Chattels
and Real Property and to Issue One
Additional Promissory Note.

Application No. 46779
Filed July 7, 1964

O P I N I O N

This is an application for an order of the Commission authorizing Del Este Water Company to issue a \$110,000 note and to execute a supplemental indenture and a supplemental loan agreement.

Del Este Water Company is a California corporation engaged in business as a public utility in the operation of water systems which provide service to domestic and industrial consumers in portions of the County of Stanislaus. Its 1963 annual report to the Commission indicates gross operating revenues of \$523,838 and net income of \$49,399 for the year and 11,247 active service connections, exclusive of fire connections and hydrants, at December 31, 1963. Assets and liabilities on said date are set forth in the balance sheet attached to the application and are summarized as follows:

Assets

Utility plant	\$2,381,541	
Less: Depreciation reserve	<u>730,904</u>	\$1,650,637
Current assets		189,016
Other assets		<u>10,153</u>
Total		<u>\$1,849,806</u>

Liabilities

Common stock equity	\$ 665,927	
Preferred stock	125,000	
Long-term debt	661,100	
Advances for construction	<u>258,619</u>	\$1,710,646
Contributions in aid of construction		20,564
Current liabilities		<u>118,596</u>
Total		<u>\$1,849,806</u>

By Decision No. 63421, dated March 20, 1962, in Application No. 44232, the Commission authorized Del Este Water Company to issue 5-1/2% notes in the aggregate principal amount of \$275,000 in favor of Pacific Mutual Life Insurance Company; however, final authorization for \$110,000 of such borrowings was withheld pending successful completion of negotiations by the corporation for purchase of the water systems of Moore Water Company and Osterberg Water Company. On July 19, 1962 applicant issued a \$165,000 note and thereafter entered into negotiations to acquire the two water utilities.

Sale of the public utility properties comprising the Moore Water Company to Del Este Water Company at a selling price of \$25,479.50 was authorized by Decision No. 64400, dated October 16, 1962, in Application No. 44673. Necessary funds to consummate the transaction were advanced from the purchaser's

treasury. On July 7, 1964, M. Osterberg joined with applicant in filing Application No. 46778 wherein the former seeks authority to sell his water system to the latter for a cash consideration of \$90,000. Applicant proposes to borrow \$110,000 from Pacific Mutual Life Insurance Company, in accordance with a supplemental loan agreement, for the purpose of obtaining funds to finance the \$90,000 purchase price for the Osterberg Water Company system and to reimburse its treasury for \$20,000 of the purchase price for the Moore Water Company system.

The contemplated borrowing will be evidenced by a \$110,000 promissory note, maturing on September 1, 1988, bearing interest at the rate of 5-1/2% per annum payable semi-annually and, in addition to providing for optional prepayment privileges, will require repayment of principal in annual installments of \$2,200. Repayment of the loan will be secured by an existing mortgage as heretofore supplemented and as further supplemented by a proposed Fifth Supplemental Indenture.

The Commission has considered this matter and finds that: (1) the proposed note issue is for proper purposes; (2) the money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably required for the purposes specified herein; and (3) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings, we conclude that the application should be granted. A public hearing is not necessary.

The authorization herein given is for the purpose of this proceeding only, and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Del Este Water Company, on or after the date hereof and on or before December 31, 1964, may execute a Supplemental Loan Agreement and a Fifth Supplemental Indenture and, for the purposes specified in this proceeding, may issue its 5-1/2% promissory note in the principal amount of not to exceed \$110,000. Said documents shall be in the same form, or in substantially the same form, as those attached to the application.

2. Del Este Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 11th day of AUGUST, 1964.

Frederick B. Hallock
President
William M. Bennett
George H. Grover